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A BILL

To amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to authorize development and security assistance programs for fiscal year 1987, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "International Security and Development Cooperation Act of 1986".

TITLE I - MILITARY ASSISTANCE AND SALES AND RELATED PROGRAMS

FOREIGN MILITARY SALES CREDIT AUTHORIZATION AND AGGREGATE CEILINGS

SEC. 101. (a) Section 31(a) of the Arms Export Control Act is amended by striking out "$5,371,000,000 for fiscal year 1987" and inserting in lieu thereof "$5,661,000,000 for fiscal year 1987".

(b) Section 31(b)(1) of the Arms Export Control Act is amended by striking out "$5,371,000,000 for fiscal year 1987" and inserting in lieu thereof "$5,661,000,000 for fiscal year 1987".

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TERMS OF FOREIGN MILITARY SALES CREDITS

SEC. 102. Section 23(c)(2) of the Arms Export Control Act is amended by striking out the parenthetical phrase in subparagraph (B).

SALES FROM STOCKS

SEC. 103. Section 21 of the Arms Export Control Act is amended by adding the following new subsection:

"(j) In the case of a sale under subsection (a)(1)(B) of this section, the President may contract for the procurement of replacement major defense equipment if the eligible country or international organization provides the United States Government with a dependable undertaking as described in section 22(a) of this Act.".

GUARANTEE RESERVE

SEC. 104. The second sentence of section 24(c) of the Arms Export Control Act is amended to read as follows: "There are hereby authorized to be appropriated and are appropriated from time to time such funds as may be necessary to pay claims under such guarantees to the extent funds in the single reserve are inadequate therefor.".

REPORTS REGARDING SALES PROGRAM

SEC. 105. Sections 25(a)(9) and 25(a)(10) of the Arms Export Control Act are repealed.

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QUARTERLY REPORTS

SEC. 106. Section 36(a) of the Arms Export Control Act is amended by striking out the parenthetical clause in the text preceding paragraph (1) and inserting in lieu thereof "(except that the material transmitted pursuant to paragraphs (1) and (2) of this subsection may be contained in a classified addendum to such report)".

DISQUALIFICATION FOR VIOLATION OF INTERNATIONAL TRAFFIC IN ARMS REGULATIONS

SEC. 107. (a) Section 38(d) of the Arms Export Control Act is amended to read as follows:

"(d) No contract between a foreign government and a person convicted or debarred for a violation of this section or section 39, or any rule or regulation issued under either section may be approved for financing under this Act during the twelve months following the date of such conviction or debarment.".

(b) This section shall take effect upon the date of enactment of this Act or October 1, 1986, whichever is later. The amendment made by this section applies with respect to convictions or debarments occurring on or after the effective date of this section.

MILITARY ASSISTANCE

SEC. 108. Section 504(a)(1) of the Foreign Assistance Act of 1961 is amended by striking out "$805,100,000 for fiscal year 1987" and inserting in lieu thereof "$996,450,000 for fiscal year 1987".

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INTERNATIONAL MILITARY EDUCATION AND TRAINING

SEC. 109. Section 542 of the Foreign Assistance Act of 1961 is amended by striking out "$56,221,000 for fiscal year 1987" and inserting in lieu thereof "$68,830,000 for fiscal year 1987".

PEACEKEEPING OPERATIONS

SEC. 110. Section 552(a) of the Foreign Assistance Act of 1961 is amended by striking out "$37,000,000 for fiscal year 1987" and inserting in lieu thereof "$39,000,000 for fiscal year 1987".

ANTITERRORISM ASSISTANCE

SEC. 111. Section 573(a) of the Foreign Assistance Act of 1961 is amended by striking out "section 660 of this" and inserting in lieu thereof "any other provision of this Act or any other".

TITLE II - ECONOMIC SUPPORT FUND

AUTHORIZATION OF APPROPRIATIONS

SEC. 201. Section 532(a) of the Foreign Assistance Act of 1961 is amended to read as follows:

"(a) There are authorized to be appropriated to the President to carry out the purposes of this chapter $4,093,800,000 for the fiscal year 1987.".

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ACQUISITION OF AGRICULTURAL COMMODITIES

UNDER COMMODITY IMPORT PROGRAMS

SEC. 202. Section 205 of the International Security and Development Cooperation Act of 1985 is amended by adding at the end thereof the following new sentence: "The President may use a smaller percentage of such funds for the purchase of agricultural commodities of United States-origin if he determines that the use of 18 percent of such funds for such purchases would not be consistent with the objectives of the foreign assistance program.".

REGIONAL ASSISTANCE TO GUATEMALA

SEC. 203. (a) With respect to Guatemala's participation in regional programs, prior year limitations (inapplicable to current funds) on assistance made available under chapter 4 of part II of the Foreign Assistance Act of 1961 are repealed.

(b) This provision shall take effect upon the date of enactment of this Act.

TITLE III - DEVELOPMENT ASSISTANCE

CHILD SURVIVAL FUND

SEC. 301. Section 104(c)(2)(B) of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new sentence: "Except as provided in this section and in the paragraph entitled "Population, Development Assistance" as contained in the Foreign Assistance and Related Programs

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Appropriations Act, 1986 (Public Law 99-190), assistance provided under this paragraph may be made available notwithstanding any other provision of this or any other Act.".

PRIVATE SECTOR, ENERGY, AND PRIVATE AND VOLUNTARY ORGANIZATIONS

SEC. 302. Section 106 of the Foreign Assistance Act of 1961 is amended to read as follows:

"Sec. 106. Private Sector, Energy, and Private and Voluntary Organizations.-(a) The Private Sector.-The Congress finds that a private enterprise economy is the most efficient means of achieving broad-based economic development, that private enterprises that are allowed to respond to profitable opportunities in a free market produce jobs, managerial skills and economic growth, and that significant equity objectives can be achieved when market forces operate to stimulate an economy.

"The Congress recognizes that many developing countries have not relied on open, competitive markets to determine resource allocations in many sectors of their economies. Instead, governments have often attempted to direct essential activity in agricultural and industrial production and trade by centralized governmental determinations. As a consequence, government regulations have created severe economic distortions: limitations on the buying and selling of foreign

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exchange have often distorted foreign exchange rates in ways which amount to a tax on exports and a subsidy on imports; banking restrictions, particularly interest rate regulations, frequently operate to inhibit savings and the expansion of capital resources; price-fixing and government subsidy programs often perpetuate inefficient production, frequently at the expense of the agricultural sector; tax policy and administration often do not serve to foster development nor to encourage saving and investment.

"Assistance provided under this section should foster the movement of developing countries towards a free market society and the establishment of viable, competitive markets and the expansion of private enterprise in such countries. Such assistance should include support for a country's efforts to reform policies, procedures, regulations and laws affecting the role of the private sector in the economy, and assistance to specific projects to stimulate the growth of the indigenous private sector and development in both rural and urban areas.

"(b) Private and Voluntary Organizations.-The Congress recognizes that private and voluntary organizations and cooperatives bring unique skills to bear on the development process. By virtue of their links with private institutions in developing countries, such organizations and cooperatives often serve effectively to engage rural and urban poor in their nation's development. Moreover, by virtue of their support

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within the United States, such organizations and cooperatives are a means for mobilizing among the general public not only a broader awareness of the pressing needs of developing countries, but also for generating private resources for international development. These organizations are often able to reach and benefit sectors of the population not normally served by other private sector institutions or direct government programs. In order to foster the activities of private and voluntary organizations and cooperatives (as well as regional and international development organizations), assistance may be provided for programs of technical cooperation and development in conjunction with those organizations.

"(c) Energy.-The Congress recognizes that energy development and production are vital elements in the development process, and that energy shortages in developing countries greatly limit the development process in such countries. The energy constraints faced by most developing countries are severe. These countries, especially the poorest, have inadequate energy supplies for economic growth and to meet minimal domestic requirements, and must continually face the problems of unmanageable demands on foreign exchange in order to import oil, and environmental degradation from an over-exploited traditional fuel resource base.

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"In order to help developing countries alleviate their energy problems by improving their ability to use indigenous energy resources to produce the energy needed by their economies, assistance may be provided to enable such countries to prepare for and undertake development of their energy resources. Such assistance may include efforts to: help countries analyze critical national energy issues with an emphasis, where appropriate, on the importance of market pricing policies and the hidden costs attached to subsidies which skew investment and consumption decisions; identify and encourage the implementation of trade and investment policies that stimulate the private sector and the operation of market forces to allocate resources; promote policies and programs that provide for essential energy (including biomass fuels) requirements especially for food production, processing, and distribution; support efforts to undertake primary data collection and analysis; assist host government conservation programs to improve energy efficiency; support efforts to train personnel and establish long-term institutional relationships between developing country institutions and United States universities and centers for research in the public and private sectors; and support programs that assist developing countries in research, particularly fuelwood research.

"(d) Special Development Problems.-The Congress recognizes that assistance to developing countries will sometimes be

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required in order to address special development problems and research needs. Such assistance may include programs of research into, and evaluation of, the process of economic development in developing countries and areas, and into the factors affecting the relative success and costs of development activities, and into the means, techniques, and such other aspects of development assistance in order to render such assistance of increasing value and benefit; programs of reconstruction following natural or manmade disasters and programs of disaster preparedness, including the prediction of and contingency planning for natural disasters abroad; other programs designed to help solve special development problems including efforts to make possible proper utilization of infrastructure and related projects funded with earlier United States assistance; and programs of urban development.

"(e) Authorization of Appropriations.-The President is authorized to furnish assistance, on such terms and conditions as he may determine, for activities to carry out the purposes of this section to the extent that such activities are not authorized by or funds are not made available for such activities under sections 103, 104, and 105 of this Act. There are authorized to be appropriated to the President for purposes of this section, in addition to funds otherwise available for such purposes, $231,468,000 for the fiscal year 1987. Amounts appropriated under this section are authorized to remain available until expended.".

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HUMAN RIGHTS

SEC. 303. Section 116(e)(1) of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new sentence: "Such funds may be made available notwithstanding any other provision of this or any other Act.".

PRIVATE AND VOLUNTARY
ORGANIZATIONS AND COOPERATIVES
IN OVERSEAS DEVELOPMENT

SEC. 304. Section 123(e) of the Foreign Assistance Act of 1961 is amended-

(1) in the first sentence by striking out "private and voluntary organizations and cooperatives already being supported prior to the date such prohibition become applicable" and inserting in lieu thereof "nongovernmental organizations";

(2) in the second sentence by striking out "continuation of"; and

(3) by amending the third sentence to read as follows: "If the President provides assistance through nongovernmental organizations as provided in this subsection after the date such prohibition becomes applicable, he shall prepare and transmit, not later than one year after such date, to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a report setting forth the reasons for the provision of such assistance.".

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RESEARCH AND TECHNICAL FELLOWS

SEC. 305. Chapter 1 of part I of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new section:

"SEC. 129. RESEARCH AND TECHNICAL FELLOWS.-(a) In order to enable the scientific needs of developing countries to be more fully addressed, the President is authorized to establish and maintain Research and Technical Fellowships within the agency primarily responsible for administering this part. Recipients of such fellowships may spend not to exceed three years with such agency or with institutions assisted by such agency. They may perform research or provide technical advisory services for such agency or for programs of technology transfer, institution building and related assistance programs serving the purposes of this part. Within such agency, fellows may discharge program responsibilities in research policy or program management positions. Recipients of such fellowships shall receive such stipends and allowances, including travel and subsistence expenses, as the President may deem necessary to secure the assistance of highly qualified research or technical fellows. Such fellows shall not be regarded as employees of the United States Government except to the extent that the President deems necessary to carry out this section.

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"(b) The President may maintain not to exceed 150 fellowships at any one time. Funds authorized to be appropriated for programs under chapter 1 of part I shall be used to carry out this section.".

TITLE IV - OTHER ASSISTANCE AND MISCELLANEOUS PROVISIONS

OPERATING EXPENSES

SEC. 401. Section 667(a)(1) of the Foreign Assistance Act of 1961 is amended by striking out "$387,000,000 for fiscal year 1987" and inserting in lieu thereof "$410,650,000 for fiscal year 1987".

ADMINISTRATION OF JUSTICE

SEC. 402. Section 534 of the Foreign Assistance Act of 1961 is amended by striking out subsections (c) and (e) and redesignating existing subsection "(d)" as "(c)".

SUBSISTENCE PAYMENTS

SEC. 403. Section 636(a) of the Foreign Assistance Act of 1961 is amended-

(1) by striking out the period at the end of paragraph (17) and inserting in lieu thereof a semicolon; and

(2) by adding the following new paragraph at the end thereof:

"(18) payment of subsistence expenses of foreign officials, and employees of the United States Government who accompany such foreign officials, on official visits to the United States, notwithstanding the limitations contained in section 5702 of title 5, United States Code.".

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TRAINING ASSISTANCE

SEC. 404. Section 639 of the Foreign Assistance Act of 1961 is amended to read as follows:

"SEC. 639. TRAINING ASSISTANCE.-No provision of this Act or any other provision of law shall be construed to prohibit assistance for any training activity which is funded under this Act for Brazil or Argentina as long as such country continues to have a democratically elected government and which is consistent with sections 116, 502B, and 660 of this Act.".

UPPER HUALLAGA VALLEY PROJECT

SEC. 405. The first sentence of section 612(b) of the International Security and Development Cooperation Act of 1985 is amended to read as follows: "Funds authorized to be appropriated for fiscal year 1987 to carry out chapter 1 of part I (relating to development assistance) of the Foreign Assistance Act of 1961 may be made available for the project of the Agency for International Development in the Upper Huallaga Valley of Peru only if the Administrator of that Agency and the Assistant Secretary of State for the Bureau of International Narcotics Matters, after consultation with the Congress, determine that a comprehensive review of the eradication and alternative crop production activities in the Upper Huallaga Valley has been completed which establishes the effectiveness of the activities in helping to develop alternatives to coca production and in reducing and eradicating coca leaf production, distribution, and marketing in the Upper Huallaga Valley.".

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ASSISTANCE TO GUATEMALA

SEC. 406. Section 703 of the International Security and Development Cooperation Act of 1985 is amended by striking out subsections (c) and (e) thereof.

CONDITIONS ON ASSISTANCE

TO HAITI

SEC. 407. Section 705(b) of the International Security and Development Cooperation Act of 1985 is amended by inserting "the Government of" after "obligated for".

TITLE V - REPEALS AND TECHNICAL AMENDMENTS

REPEAL OF EARMARKS AND CEILINGS

SEC. 501. (a) Section 31(b)(2) of the Arms Export Control Act is amended by striking out "and not more than $553,900,000 for fiscal year 1987".

(b) The International Security and Development Cooperation Act of 1985 is amended-

(1) by amending section 101(c) to read as follows:

"(c) FMS FINANCING FOR ISRAEL AND EGYPT.-Israel and Egypt shall be released from their contractual liability to repay the United States Government with respect to credits provided during fiscal year 1987 pursuant to section 23 of the Arms Export Control Act.";

(2) by striking out sections 101(d), (e), and (f);

(3) in section 202-

(A) in subsection (a) by striking out "(2)" and by

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striking out paragraph (1);

(B) in subsection (b) by striking out "(2)" and by striking out paragraphs (1) and (3);

(4) in section 203 by striking out "(b)" and by striking out subsection (a);

(5) by striking out sections 204 and 206;

(6) in section 702 by striking out subsection (f) and redesignating existing subsection "(g)" as "(f)";

(7) by striking out sections 705(f), 707(b), and 720;

(8) in section 802 by striking out subsection (a) and by redesignating existing subsections "(b)", "(c)", and "(d)", respectively, as "(a)", "(b)", and "(c)", respectively;

(9) in section 804 by striking out "(a)" and by striking out subsection (b);

(10) in section 805 by striking out "(a)" and by striking out subsection (b);

(11) in section 901 by striking out subsection (d) and redesignating existing subsection "(e)" as "(d)";

(12) in section 904-

(A) by striking out "(a)" and by striking out subsections (b) and (c); and

(B) in existing subsection (a) by inserting "with respect to any fiscal year" immediately after "appropriated"; and

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(13) by amending section 905 to read as follows:

"SEC. 905. ASSISTANCE FOR THE CAMBODIAN PEOPLE.-The President may make available funds authorized to be appropriated with respect to any fiscal year to carry out chapter 2 (relating to grant military assistance) and chapter 4 (relating to the economic support fund) of part II of the Foreign Assistance Act of 1961 for assistance for the noncommunist resistance forces in Cambodia, notwithstanding any other provision of law.".

(c) The Foreign Assistance Act of 1961 is amended-

(1) by amending section 103(g)(2) to read as follows:

"(2) The United States contribution to the second replenishment of the International Fund for Agricultural Development may be made available, by appropriation or by transfer, from the aggregate amount authorized to be appropriated to carry out part I of this Act."; and

(2) in section 302(a)(1) by striking out the second sentence.

TECHNICAL AMENDMENTS

SEC. 502. (a) Section 3(a) of the Arms Export Control Act and section 505(e) of the Foreign Assistance Act of 1961 are amended by striking out "significant defense articles" and inserting in lieu thereof "significant military equipment".

(b) Section 36(d) of the Arms Export Control Act is amended by striking out "combat" and inserting in lieu thereof "military".

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TITLE VI - AUTHORIZATIONS FOR FISCAL YEAR 1988 AND EFFECTIVE DATE

AUTHORIZATION FOR THE FISCAL YEAR 1988

SEC. 601. There are authorized to be appropriated for the fiscal year 1988 such sums as may be necessary to carry out programs and activities for which appropriations for the fiscal year 1987 are authorized by this Act.

EFFECTIVE DATE

SEC. 602. Except where otherwise stated in this Act, this Act shall take effect on October 1, 1986.

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SECTION-BY-SECTION ANALYSIS
OF THE PROPOSED
INTERNATIONAL SECURITY AND DEVELOPMENT
COOPERATION ACT OF 1986

I. INTRODUCTION

The proposed International Security and Development Cooperation Act of 1986 (the "Bill") amends the Foreign Assistance Act of 1961 ("FAA") and the Arms Export Control Act ("AECA") in order to authorize appropriations to carry out international security and development assistance programs for the fiscal year 1987 and to make certain changes in the substantive authorities governing those programs. The Bill also amends certain provisions of the International Security and Development Cooperation Act of 1985 ("ISDCA") and contains authorizations for the fiscal year 1988 in accordance with the requirements of the Congressional Budget Act of 1974.

The Bill is composed of six titles. Title I consists of authorizations for military sales and related programs. Title II contains an authorization for the economic support fund program and amendments to the authorities relating to that program. Title III contains an authorization for certain development assistance programs and amends several of the authorities contained in the FAA relating to development assistance. Title IV contains an authorization for the

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operating expenses of the Agency for International Development ("A.I.D.") and miscellaneous amendments to the FAA and the ISDCA. Title V contains repeals of earmarks and other restrictions contained in ISDCA, the FAA and the AECA on the availability of assistance for recipient countries or programs, and other technical amendments. Title VI provides for authorizations for fiscal year 1988 in accordance with the requirements of the Congressional Budget Act of 1974 and for the effective dates for the various provisions of the Bill.

II. PROVISIONS OF THE BILL

SECTION 1. SHORT TITLE

This section provides that the Bill may be cited as the "International Security and Development Cooperation Act of 1986".

TITLE I- MILITARY ASSISTANCE AND SALES AND RELATED PROGRAMS

SECTION 101. FOREIGN MILITARY SALES CREDIT AUTHORIZATION AND AGGREGATE CEILINGS

This section amends section 31(a) of the AECA to authorize $5,661,000,000 in appropriations for fiscal year 1987 to carry

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out the Foreign Military Sales (FMS) direct credit program. Section 31(b)(1) of the AECA is amended to establish the limit of $5,661,000,000 for fiscal year 1987 as the aggregate amount of FMS credit which may be extended under section 23 of the AECA.

SECTION 102. TERMS OF FOREIGN MILITARY SALES CREDITS

This section amends section 23(c)(2) of the AECA to permit the President to set the interest rates on nonconcessional FMS loans to be fixed at the time of each drawdown under the loan rather than at the time the loan agreement is signed.

SECTION 103. SALES FROM STOCKS

This section amends section 21 of the AECA by adding a provision enabling the President to use dependable undertaking financial procedures when entering into replacement-in-kind military sales contracts. Under these proposed procedures, the client country could spread payments over the life of the contract, rather than pay, as is currently the case, the entire cost of the contract in advance. Under this proposal the United States would incur no additional financial risk and materials would be paid for in full before delivery to clients.

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SECTION 104. GUARANTEE RESERVE

The Guarantee Reserve Fund was created by Congress in 1980 to guarantee FMS loans extended by the Federal Financing Bank (FFB) and commercial lending institutions. The Fund operates as a revolving fund administered by the Department of Defense. The act that created the Fund, the International Security and Development Cooperation Act of 1980 (P.L. 96-533), among other things, allowed for the replenishment of the Fund through annual authorizations and appropriations, and by authorizing the use of funds received from borrowing countries to be credited to the account.

This section amends section 24(c) of the AECA to establish a Guarantee Reserve to pay claims based upon defaults and reschedulings of outstanding loans guaranteed pursuant to the provision of that Act and thus eliminates the need for yearly authorization and appropriation. A permanent indefinite appropriation would establish a long-term mechanism for maintaining the fiscal integrity of the Fund. The new reserve would permit the current guarantee reserve balance to be depleted and, thereafter, appropriations would automatically be made available from the General Fund of the Treasury to cover all payments to lenders necessitated by defaults and reschedulings. Amounts subsequently received from borrowing countries will be credited against the new account as is now the case with the Guarantee Reserve Fund. The annual reporting requirement would remain.

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SECTION 105. REPORTS REGARDING SALES PROGRAM

This section amends section 25(a) of the AECA by striking the requirement for two annual reports, concerning (1) Korean progress in modernizing its armed forces, the role of the United States in mutual security efforts in Korea, and the military balance between the two Koreas, and (2) the amount and nature of Soviet military assistance to Cuba and the capabilities of the Cuban armed forces. These reporting provisions stem from particular circumstances and concerns which no longer require annual foreign assistance reports.

SECTION 106. QUARTERLY REPORTS

Section 36(a) of the AECA requires the President to submit to the Congress quarterly information relating to letters of offer of $1 million or more. This section amends section 36(a) to permit information contained in these reports to be transmitted in classified form to protect the legitimate security interests of the purchasers.

SECTION 107. DISQUALIFICATION FOR VIOLATION OF INTERNATIONAL TRAFFIC IN ARMS REGULATIONS

This section amends section 38 of the AECA by adding a provision which would make ineligible for FMS financing for one

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year any commercial contracts of a firm or other person found through judicial or administrative proceedings to have violated the International Traffic in Arms Regulations (ITAR). This amendment applies to those firms or persons convicted or debarred on or after the effective date of this section for a violation of section 38 or section 39 of the AECA, or any rule or regulation issued under either section. It also is intended to apply to firms that are convicted or debarred under a different corporate name so long as there is no substantial change in ownership and management. This section will take effect upon enactment of this Bill or October 1, 1986, whichever is later.

SECTION 108. MILITARY ASSISTANCE

This section amends section 504(a)(1) of the FAA to authorize $996,450,000 in appropriations for fiscal year 1987 to carry out the military assistance program.

SECTION 109. INTERNATIONAL MILITARY EDUCATION AND TRAINING

This section amends section 542 of the FAA to authorize $68,830,000 in appropriations for fiscal year 1987 for the International Military Education and Training (IMET) program.

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SECTION 110. PEACEKEEPING OPERATIONS

This section amends section 552(a) of the FAA to authorize $39,000,000 in appropriations for fiscal year 1987 to carry out peacekeeping operations and other programs. These programs include the United States budgetary contribution to the Multinational Force and Observers (MFO) for the Sinai.

SECTION 111. ANTITERRORISM ASSISTANCE

This section amends section 573(a) of the FAA to enable the United States to provide antiterrorism assistance to other countries "notwithstanding any provision of law". This amendment recognizes that the antiterrorism effort is so important to our interests that it should not be constrained, in law, by restrictions otherwise applicable. This amendment would put the antiterrorism program on the same basis as the international narcotics control and disaster assistance programs.

TITLE II - ECONOMIC SUPPORT FUND

SECTION 201. AUTHORIZATION OF APPROPRIATIONS

Section 201 amends section 532(a) of the FAA to authorize $4,093,800,000 to carry out the purposes of chapter 4 of part

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II of the FAA for the fiscal year 1987.

SECTION 202. ACQUISITION OF AGRICULTURAL COMMODITIES UNDER COMMODITY IMPORT PROGRAMS

Section 202 amends section 205 of the ISDCA, which requires the President to use at least 18 percent of the economic support funds that are made available for commodity import programs for the purchase of agricultural commodities of United States-origin. Section 205 is amended by adding a provision which authorizes the President to reduce the 18 percent requirement if he determines that the objectives of the foreign assistance program would not be supported through compliance with such requirement.

SECTION 203. REGIONAL ASSISTANCE TO GUATEMALA

This section would remove prior year restrictions on Guatemala's participation in regional programs funded under chapter 4 of part II of the FAA, thus permitting Guatemala to participate in multi-year regional programs which are funded in part with prior year funds. An example of such a program is the Administration of Justice program, established pursuant to section 712 of the ISDCA. This provision will become effective upon the enactment of this Bill.

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TITLE III - DEVELOPMENT ASSISTANCE

SECTION 301. CHILD SURVIVAL FUND

Section 301 amends section 104(c)(2)(A) of the FAA, which authorizes the President to promote, encourage, and undertake activities designed to deal directly with the special health needs of children and mothers. Section 104(c)(2)(A) is amended to authorize these "child survival" activities to be carried out notwithstanding any other section of the FAA or any other Act except certain provisions of the FY 1986 foreign assistance appropriations act. This will permit Child Survival Fund resources to be used in countries which otherwise are prohibited by statute from receiving assistance under the FAA. Thus, such programs as immunization, oral rehydration, nutrition education, and promotion of child spacing could continue in a country, notwithstanding other statutory provisions to the contrary. The provision recognizes the humanitarian, people-to-people nature of the child survival program.

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SECTION 302. PRIVATE SECTOR, ENERGY, AND PRIVATE AND VOLUNTARY ORGANIZATIONS

Section 302 amends the FAA by restating section 106 thereof. It adds no new authorities to the FAA, nor does it remove any existing authorities. Rather, it provides an increased focus on the role of the private sector in economic development.

Subsection (a) of section 106 sets forth the findings of the Congress that a private enterprise economy is the most efficient means of achieving broad-based economic development. Subsection (a) also sets forth the view of the Congress that many developing countries have not relied on open, competitive markets to determine resource allocations in many sectors of their economies. Instead, governments have often attempted to direct essential activity in agricultural and industrial production and trade by centralized governmental determinations thereby creating severe economic distortions. Subsection (a) further states that assistance provided under this section should foster the movement of developing countries toward a free market society and the establishment of viable, competitive markets and the expansion of private enterprise in such countries, and contains examples of the types of assistance that would help achieve this objective.

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Subsection (b) of section 106 sets forth the view of the Congress that private and voluntary organizations and cooperatives bring unique skills to bear on the development process. By virtue of their links with private institutions in developing countries, such organizations and cooperatives often serve to engage effectively rural and urban poor in their nation's development. In order to foster the activities of private and voluntary organizations and cooperatives (as well as regional and international development organizations), assistance may be provided for programs of technical cooperation and development in conjunction with those organizations.

Subsection (c) of section 106 sets forth the view of the Congress that energy development and production are vital elements in the development process, and that energy shortages in developing countries greatly limit the development process in such countries. Subsection (c) goes on to state that in order to help developing countries alleviate their energy problems by improving their ability to use indigenous energy resources to produce the energy needed by their economies, assistance may be provided to enable such countries to prepare for and undertake development of their energy resources, and contains several examples of such assistance.

Subsection (d) of section 106 sets forth the view of the Congress that assistance to developing countries will sometimes be required in order to address special development problems

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and research needs. Such assistance may include programs of research into, and evaluation of, the process of economic development in developing countries and areas, and into the factors affecting the relative success and costs of development activities, and into the means, techniques, and such other aspects of development assistance in order to render such assistance of increasing value and benefit; programs of reconstruction following natural or manmade disasters and programs of disaster preparedness, including the prediction of and contingency planning for natural disasters abroad; other programs designed to help solve special development problems including efforts to make possible proper utilization of infrastructure and related projects funded with earlier United States assistance; and programs of urban development.

Subsection (e) of section 106 authorizes the President to furnish assistance, on such terms and conditions as he may determine, for activities to carry out the purposes of section 106 to the extent that such activities are not authorized by or funds are not made available for such activities under sections 103, 104, and 105 of the FAA. Subsection (e) authorizes to be appropriated to the President for such purposes, in addition to funds otherwise available for such purposes, $231,468,000 for the fiscal year 1987. Amounts appropriated under section 106 are authorized to remain available until expended.

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SECTION 303. HUMAN RIGHTS

Section 303 amends section 116(e)(1) of the FAA, which authorizes the use of development assistance funds and economic support funds for human rights activities. Section 116(e)(1) is amended to authorize the use of such funds for such activities notwithstanding any other provision of the FAA or any other Act. This will permit human rights activities to be funded in countries which otherwise are prohibited by statute from receiving assistance. Thus, programs and activities which will encourage or promote increased adherence to civil and political rights could continue in a country, notwithstanding other statutory provisions to the contrary.

Such programs and activities are generally carried out by nongovernmental organizations or affiliates of public international organizations. These programs and activities are often regional in scope, and are usually implemented with local or regional institutions.

By definition, the central objective of these programs and activities is to promote human rights and democratic practices. Individual projects have varied purposes, such as promoting interchange among human rights activists and democratic adherents, helping grassroots organizations work toward self-sufficiency, effecting changes or improvements to laws and systems, gathering and disseminating new knowledge, and designing and conducting human rights education programs.

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SECTION 304. PRIVATE AND VOLUNTARY ORGANIZATIONS AND COOPERATIVES IN OVERSEAS DEVELOPMENT

Section 304 amends section 123(e) of the FAA, which exempts from prohibitions on assistance to countries assistance in support of programs of private and voluntary organizations and cooperatives already being supported prior to the date the prohibition becomes applicable. Section 123(e) is amended to expand this exemption to be applicable to all nongovernmental organizations, rather than just to private and voluntary organizations and cooperatives, and to be applicable to all activities of nongovernmental organizations, rather than just to activities already being supported prior to the date a prohibition becomes applicable.

Section 123(e) was enacted in order to recognize specifically the private and independent nature of private and voluntary organizations and cooperatives in their assistance programs overseas. Such work is a praiseworthy effort best characterized as "people to people" development assistance. Section 123(e) is amended to enable other private and independent entities, such as universities, to implement economic assistance activities in countries where statutory prohibitions would otherwise prevent such activities from being funded.

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SECTION 305. RESEARCH AND TECHNICAL FELLOWS

Section 305 amends part I of the FAA by adding a new section 129 entitled "Research and Technical Fellows". This section addresses the need to bring the best United States scientific and technical expertise to bear on critical development problems addressed by technical aspects of A.I.D.'s program policy, strategy and project development, implementation and evaluation activities. New mechanisms and expanded use of existing mechanisms have increased A.I.D.'s science and technology capacity over recent years. However, A.I.D. has been hindered in its efforts in these areas by an insufficient number of technically qualified staff. New section 129 authorizes the President to establish and maintain Research and Technical Fellowships within A.I.D.

Under A.I.D. sponsorship scientists have cooperated with institutions in both developed and developing countries, often in direct partnership with these institutions. The rewards are illustrated by the medical breakthroughs that have markedly reduced infant and child mortality and, likewise, the miracle seeds which fueled the Green Revolution in Asia and Latin America are welcome products of science and technology. But the current famines and associated malnutrition and illness which plague much of Africa and other areas of the developing world suggest that there is much yet to be done. At no time in the

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history of development has there been greater need for broad scientific input.

New section 129 would authorize recipients of these fellowships to spend up to three years with A.I.D. or with institutions assisted by A.I.D. They may perform research or provide technical advisory services for A.I.D. or for programs of technology transfer, institution building and related assistance programs serving the purposes of part I of the FAA. Within A.I.D., recipients of such fellowships may discharge program responsibilities in research policy or program management positions. Recipients of such fellowships shall receive such stipends and allowances, including travel and subsistence expenses, as the President deems necessary to secure the assistance of highly qualified research or technical fellows. Such fellows are not to be recognized as employees of the United States Government except to the extent that the President deems necessary to carry out new section 129. No more than 150 fellowships may be maintained at any one time. Funds authorized to be appropriated for programs under part I of the FAA are to be used to carry out section 129.

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TITLE IV - OTHER ASSISTANCE AND MISCELLANEOUS PROVISIONS

SECTION 401. OPERATING EXPENSES

Section 401 amends section 667(a) of the FAA, which authorizes funds for operating expenses of A.I.D. Section 667(a) of the FAA is amended to authorize $410,650,000 for operating expenses for the fiscal year 1987.

SECTION 402. ADMINISTRATION OF JUSTICE

The ISDCA amended section 534 of the FAA to enable the President to furnish assistance to countries and organizations in Latin America and the Caribbean to strengthen the administration of justice. This provision amends section 534 by repealing the sunset provision contained in subsection (e) which would terminate the program on September 30, 1987. Removal of the termination date reassures participating countries that our commitment to improved administration of justice is long term, thus allowing them to plan accordingly. This provision also repeals section 534(c), the ceiling of $20,000,000 which may be made available for this program in any fiscal year.

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SECTION 403. SUBSISTENCE PAYMENTS

Section 403 amends section 636(a) of the FAA, which provides for the uses of funds appropriated for the purposes of the FAA. Section 403 adds a new paragraph (18) to section 636(a) of the FAA to authorize the use of funds for payment of subsistence expenses of foreign officials, and employees of the United States Government who accompany such foreign officials, on official visits to the United States, notwithstanding the limitations contained in section 5702 of title 5, United States Code. Such limitations prevent A.I.D. from paying more than $75 per day for subsistence expenses and lodging for foreign dignitaries on official visits to the United States and for employees of the United States Government who accompany such dignitaries. Both the Department of State and the United States Information Agency already have the authority to exceed the subsistence rate contained in section 5702 of title 5, United States Code. This amendment will place A.I.D. on equal footing with the Department of State and the United States Information Agency in this area.

SECTION 404. TRAINING ASSISTANCE

This provision amends section 639 of the FAA to permit military and economic assistance for training to Argentina and

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Brazil, provided the recipient country retains a democratically elected government. This amendment would not alter the applicability of human rights and police training provisions in the law.

SECTION 405. UPPER HUALLAGA VALLEY PROJECT

Section 405 amends section 612(b) of the ISDCA which conditions the availability of development assistance funds in fiscal year 1987 for the Upper Huallaga Valley project in Peru on a determination by the Administrator of A.I.D. that the project has been effective in reducing and eradicating coca leaf production, distribution, and marketing in the Upper Huallaga Valley. Section 405 is necessary because the purpose of the United States program in the Upper Huallaga Valley is both to eradicate coca and to help develop alternatives to coca production. Thus, section 612(b) of the ISDCA is amended to require the determination to be based on both purposes.

SECTION 406. ASSISTANCE TO GUATEMALA

This section amends section 703 of the ISDCA by striking the prohibition on the use of military assistance to Guatemala for the procurement of any weapons or ammunition. In addition, this section strikes (1) the prohibition on the use of ESF and

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development assistance for Guatemala's rural resettlement program and (2) the requirement that assistance be provided through private and voluntary organizations to the maximum extent possible. These revisions of section 703 recognize that in 1985 Guatemalans elected a new civilian government. These new leaders will need United States and other donor support to resettle returning refugees and to aid those previously displaced by rural violence. In addition, the new government will need lethal equipment to combat Bloc-supported guerrillas. The certification requirements of Section 703(a) will be followed in determining whether to grant a request for lethal equipment.

SECTION 407. CONDITIONS ON ASSISTANCE TO HAITI

Section 407 amends section 705(b) of the ISDCA, which conditions development assistance, economic support fund assistance and international military education and training assistance for Haiti on a determination by the President with respect to cooperation by the Government of Haiti in halting illegal emigration to the United States and in implementing United States development, food and other economic assistance programs and with respect to progress made by the Government of

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Haiti toward improving the human rights situation in that country. Section 407 amends section 705(b) of the ISDCA to clarify that the assistance to which the conditions are applicable is assistance to the Government of Haiti. Assistance through private and voluntary organizations, cooperatives, and other nongovernmental organizations is not conditioned upon a positive Presidential determination.

TITLE V - REPEALS AND TECHNICAL AMENDMENTS

SECTION 501. REPEAL OF EARMARKS AND CEILINGS

This section repeals earmarks and ceilings contained in the ISDCA with respect to assistance funds authorized for fiscal year 1987. The repeal of these restrictions is necessary to provide the President with the flexibility to respond to critical foreign relations needs by providing security and development assistance, particularly during periods of budgetary constraint.

SECTION 502. TECHNICAL AMENDMENTS

This section makes technical amendments to section 3(a) of the AECA and section 505(e) of the FAA by replacing the term "significant defense articles" with the term "significant

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military equipment". This section also amends section 36(d) of the AECA by replacing the word "combat" with the word "military". These technical amendments conform obsolete terms with those adopted in the recent revisions to the International Traffic in Arms Regulations.

TITLE VI - AUTHORIZATIONS FOR FISCAL YEAR 1988 AND EFFECTIVE DATE

SECTION 601. AUTHORIZATION FOR THE FISCAL YEAR 1988

Section 601, in accordance with the requirements of section 607 of the Congressional Budget Act of 1974, authorizes appropriations for fiscal year 1988 for all programs and activities for which appropriations for the fiscal year 1987 are authorized by this Bill.

SECTION 602. EFFECTIVE DATE

Section 602 provides that, except where otherwise stated in the Bill, the effective date for this Bill would be on October 1, 1986.

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DRAFT

(Identical letter would be sent to the President of the Senate)

Dear Mr. Speaker:

I herewith transmit, on behalf of the President, a bill to amend the Foreign Assistance Act of 1961 (FAA), the Arms Export Control Act (AECA), and the International Security and Development Cooperation Act of 1985 to authorize security and development assistance programs for fiscal year 1987, and for other purposes.

As you know, the Congress last year enacted an authorization bill for security and development assistance programs for fiscal years 1986 and 1987. The President has now determined that additional authorizations are required to sustain and promote the foreign policy and national security needs of the country. The authorizations requested in this bill do not represent a large increase in assistance programs, but rather approximate the level we had requested for fiscal year 1986.

The Honorable

Thomas P. O'Neill, Jr.,

Speaker,

House of Representatives

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Although we face an extremely tight budgetary situation, I must point out, as the President has observed, that national security is our government's highest priority. We have examined our programs carefully and have determined that the resource levels proposed in this authorization bill are the minimum necessary to meet our commitments and safeguard our interests. Any reductions would compound our risks, weaken our friends, and add to our dangers.

The proposed International Security and Development Cooperation Act of 1986 authorizes appropriations for international security and development assistance and related programs for fiscal year 1987 and makes certain changes in the authorities governing these programs. Included among these proposed changes are:

-- an amendment to the FAA which would enable the United States to provide antiterrorism assistance to other countries notwithstanding any provision of law, as is currently the case with certain other programs vital to our national interests, e.g., the international narcotics and disaster assistance programs;

-- an amendment to the FAA which would emphasize the role of the private sector in the process of economic development;

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-- an amendment to the AECA which would make ineligible for participation in commercial contracts involving Foreign Military Sales financing those found to have violated the International Traffic in Arms Regulations; and

-- an amendment to the FAA which would permit military and economic assistance for training to Argentina and Brazil, provided each country retains a democratically elected government and subject to otherwise applicable human rights and police training legislation.

In addition, this bill would repeal FY 1987 earmarks and ceilings contained in the International Security and Development Cooperation Act of 1985.

I believe that our foreign assistance programs are an efficient and cost-effective means to promote United States objectives, and to complement a U.S. global defense posture intended to help preserve peace and stability. I urge prompt enactment of this bill.

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The Office of Management and Budget advises that enactment of this legislation would be in accord with the program of the President.

Sincerely,

George P Shultz

Enclosures:

1. FY 1987 Foreign Aid Bill
2. Section-by-Section Analysis of the Bill

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